

VZCZCXRO4727
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #1120/01 0610817
ZNR UUUUU ZZH
P 020817Z MAR 06
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 9259
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
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UNCLAS SECTION 01 OF 06 TOKYO 001120

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TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)
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ARTICLES:

- (1) USDA Secretary Johanns on US beef: Would "welcome prior inspections by Japan" if means early resumption of imports

NIHON KEIZAI (Top play) (Excerpt)
Evening, March 2, 2006

By Tetsuya Minoru in Washington

In an interview with the Nihon Keizai Shimbun on March 1, US

Secretary of Agriculture Johanns, touching on cautious views in

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Japan toward resumption of US beef imports, stated: "If we are asked for additional measures, we will respond flexibly. We also would welcome (prior) inspections by Japanese inspectors." He emphasized a stance of making maximum efforts to recover confidence in US beef in Japan. In addition, he indicated his hopes for an early resumption of imports, stating, "We believe that once there is detailed study of our (inspection) system and investigative report, there will be a swift decision to resume trade."

Secretary Johanns at first expressed regret that beef with

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backbones attached were shipped in violation of the Japan-US agreement, saying, "First, I regret that such an incident occurred." At the same time, he stressed that there was no problem with the safety of US beef, saying: "The US system is superior. (The incident this time) is an issue from the standpoint of the US-Japan agreement, but it is not a safety problem."

(2) Horie e-mail: Three hurdles for DPJ to overcome: Maehara vision could bog down; Presidential election likely to be speeded up in order to find breakthrough?

SANKEI (Page 3) (Full)
March 2, 2006

The Democratic Party of Japan (DPJ) is faced with a serious crisis because of a fiasco over the Horie e-mail issue. It has been decided that Diet Policy Committee Chairman Yoshihiko Noda will step down, but the party is still in a chaotic state, unable to pick his successor. Secretary General Yukio Hatoyama still appears to be determined to quit. There are three hurdles lying

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ahead for party head Seiji Maehara, including what will happen to Hatoyama.

Future course of Hatoyama

Undergoing soul-searching on the e-mail fiasco, Hatoyama yesterday decided to set up a verification team intended to prevent a recurrence, chaired by Deputy Secretary General Koichiro Genba, and to release a report of the outcome by mid-month. The press conference held the previous day by Lower House member Hisayasu Nagata has fueled the anger of the Liberal Democratic Party (LDP), leading to the presentation of an open letter. General Coordination Bureau Director General Hirofumi Hirano is now tasked with dealing with the letter from the LDP. He intends to make Nagata toe the party's line that the e-mail at issue was not authentic.

Though Hatoyama is toiling to settle the situation, some suspect that he might want to quit as soon as possible, according to his aide. That is because Hatoyama noted on Feb. 28, "When the matter is settled, I then would like to decide what I will do next."

What action Hatoyama will take is going to be the first hurdle. Chances are that he will put an end to the matter, for the time being, at a national conference of secretaries general and persons responsible for elections to be held on Mar 4, when investigation by the verification team will be ended, according to a mid-level official.

He may judge the matter as settled if the conference on the 4th goes smoothly.

Lower House by-election

Even if Hatoyama stays on, the next possible ordeal is a scheduled by-election in the Chiba Constituency No. 7 on Apr. 23, for a seat that LDP lawmaker Kazumi Matsumoto vacated. The DPJ

had hoped to use the by-election as an opportunity to recover its power, because the reason for the resignation of Matsumoto quit was to take responsibility for election violations by a senior official in his election headquarters. However, the Horie e-mail fiasco has upset this scenario, the same mid-level official noted.

The ruling camp usually displays overwhelming strength in by-elections. There have been few by-elections in which the DPJ won. The Oct. 2002 by-elections, in which the DPJ won in only one constituency out of seven constituencies for the Lower and Upper Houses, became the occasion for Hatoyama to lose his power base as DPJ head.

Dumping Maehara

The greatest barrier will likely be how to finalize a Maehara vision on domestic issues and diplomatic and security policies. Maehara has shown eagerness to put out such a paper since he came into office as party head. The party leadership is aiming to formulate the vision around the Golden Week holiday in early May. However, there has been deep-seated internal opposition to (Maehara's) visions on diplomatic and security policies from the beginning.

When he visited the US and China late last year, Maehara

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expressed strong concern over the military expansion policy of the People's Liberation Army of China. Regarding the constitutional revision issue, too, he has called for the limited use of the right of collective self-defense. However, now that the leadership's power base has declined sharply, criticism of and discontent with the party's realistic policy might evolve into a move to dump Maehara, as the process of formulating the Maehara vision begins full scale.

In order to overcome such a setback, some DPJ members have begun to discuss the possibility of speeding up the timetable for the party presidential election. Maehara noted, "My tenure runs to the end of September, time to the expiration of former head Katsuya Okada's tenure. I would like to do my utmost to fulfill my role." However, a number of members take the view that there is no guarantee that Maehara can serve out his tenure," as the same mid-level official noted.

Maehara once before looked into the possibility of an early presidential election with an eye on the LDP presidential election. The party platform stipulates that it is possible to elect a leader at a plenary session of members of the both chambers of the Diet. Maehara was elected, when Okada stepped down last September. The election at the time was held, based on a special exception rule adopted by the Standing Executive Meeting. Chances are that such a rule or a special exception might be looked into, depending on the future situation in the party.

(3) Battle going on in government, ruling parties on propriety of introducing numerical targets after monetary policy shift

TOKYO SHIMBUN (Page 9) (Full)
March 1, 2006

The Bank of Japan (BOJ) will lift its ultra-easy monetary policy soon. Prior to this, debates are heating up on what targets are needed in accordance with the new policy. Responsible officials in the government and the ruling parties are actively discussing the propriety of introducing numerical targets such as an "inflation target." Meanwhile, the BOJ is trying to map out effective targets to meet the difficult condition of "making policy management more transparent and flexible," according to Governor Toshihiko Fukui.

Liberal Democratic Party Policy Research Council Chairman Hidenao Nakagawa yesterday reiterated the need to introduce an inflation target, saying:

"The Bank of Japan should work out a policy goal that can completely beat deflation and is highly transparent."

In a press conference yesterday, State Minister in charge of Economic and Fiscal Policy Kaoru Yosano spoke for the BOJ, which is negative about introducing numerical targets. Yosano said:

"If a rigid framework is imposed on the Bank of Japan, its monetary policy will unavoidably become less flexible and the future of Japan will be negatively affected. ... Numerical figures tend to develop a life of their own."

Dominant in the government, however, is the view that some numerical targets will be necessary after the monetary policy

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shift. A senior economic official commented: "It will be undesirable if interest rates fluctuate violently and if there is a negative impact on the recent trend of the Japanese economy breaking away from deflation."

Numerical targets in Industrialized countries' monetary policies have both good and bad aspects. The inflation goal adopted by Britain has high transparency but lacks flexibility because restrictions are placed on commodity price setting. The message formula introduced by the US Federal Reserve Bank (FRB) is highly flexible but less transparent, due to such factors as divided interpretations of messages among market players.

(4) MOFA, MOF at odds over respective rights and interests in compiling final report on ODA reform; Focus on revision of JICA Law

ASAHI (Page 4) (Excerpts)
March 1, 2006

The report - released yesterday by the Study Group on Overseas Economic Cooperation - calls on the government to implement official development assistance (ODA) policy more strategically and effectively. The report features a plan to dissolve the Japan Bank for International Cooperation (JBIC), over which the Finance Ministry (MOF) has jurisdiction, and then to transfer its functions to the Japan International Cooperation Agency (JICA), which is under the Foreign Ministry's (MOFA) jurisdiction. In the process of compiling the report, however, the two ministries were at loggerheads in an attempt to protect their respective rights and interests.

Reflecting the Koizumi administration's policy of reduced government spending, many officials are calling for measures to be taken to cut ODA. Even MOFA has had to accept this view: "The age of distributing money lavishly has ended. We now need to work out a highly strategic ODA policy in line with the nation's foreign policy," said a senior official. Under such circumstances, the government has decided to reform the nation's ODA policy.

The planned ODA reform is seen as part of the reform of government-affiliated financial institutions now underway in response to the prime minister's instruction. The Liberal Democratic Party (LDP) took the lead in deciding to dissolve the JBIC. The decision met strong objections from MOF, which will lose a landing place for retired officials, and from business circles, which get loans from the JBIC for projects.

Different interpretations

The standoff between MOF and MOFA was reflected in a ministerial meeting held on the morning of Feb. 17. According to informed sources, Chief Cabinet Secretary Abe said: "The yen-loan section will be separated from JBIC and integrated into JICA. I hope the ministries concerned will cooperatively manage it."

Hearing Abe's remark, MOF interpreted it as, "JICA will be under the joint management of the ministries concerned," while MOFA

took it as meaning that "MOFA has jurisdiction over JICA, and only the yen-loan business will be jointly undertaken."

As a result of consulting with LDP Policy Research Council

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Chairman Hidenao Nakagawa, Abe instructed MOF and MOFA to try to reach a settlement. On Feb. 20, the administrative vice ministers from the two ministries held a meeting and agreed on a plan for MOF, MOFA, and the Ministry of Economy, Trade and Industry to jointly undertake the yen-loan program.

In compiling the report, the study group gave consideration to the LDP plan, which is close to MOFA views in content. As of Feb. 24, the report included passages calling for keeping the identity of the JBIC, but these parts were deleted in the final version. In a press conference yesterday, Akio Harada, chairman of the study group, said: "We will now start specific discussion of the new system."

Wrangling drags out?

The bureaucracy will take charge of discussing details of the new system, including a revision of the JICA Law. A senior MOFA official grumbled: "MOF might begin to intervene in all personnel actions in JICA, with the yen-loan program as its basis." Harada also commented yesterday: "Various problems could occur in the separation and integration process."

A senior MOF official was overheard saying: "The revision resulted from things not proceeding smoothly under the MOFA lead." But there is still no mechanism to verify ODA reform yet.

(5) Japan frets over GSDF pullout in tandem with Britain, Australia

SANKEI (Page 3) (Full)
March 2, 2006

Japan is in the final phase of exploring steps to recall its ground troops currently deployed in the southern Iraqi city of Samawah. The government, while weighing Japan's bilateral relations with the United States, wants to withdraw the Samawah-based Ground Self-Defense Force troops along with the British and Australian security troops in Samawah. Intensifying religious conflict in Iraq is also liable to cloud the government's judgment. However, the Foreign Ministry and the Defense Agency will decide early next week to withdraw the GSDF troops and will then enter into final coordination with the prime minister's office.

In the wake of last December's election for Iraq's parliament, the government began early this year to consider the GSDF's pullout in earnest. The government will make a final decision in March to withdraw the GSDF troops and will complete their pullout in May.

In Samawah, the GSDF currently deploys a ninth detachment of troops dispatched mainly from GSDF garrisons under the command of the Eastern Army, which has its headquarters in Tokyo's Nerima, to help with Iraq's nation-rebuilding efforts. The GSDF, when withdrawing its troops from Iraq, will downsize the Samawah-based engineering contingent, which has been tasked with facility repair and other services. The GSDF will divert that engineering unit's personnel to base security and will strike camp.

The Samawah-based detachment includes about 100 rangers from the 1st Airborne Brigade, which is the strongest of all GSDF combat units, and the rangers are tasked with the security of the GSDF's

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Samawah camp. In addition, the GSDF is also planning to send a backup contingent of 100 troops to Kuwait, where they will be engaged in the work of sending equipment from the Samawah camp to

Japan. In order to do so, the government is mulling several options, such as: 1) sending more troops; 2) replacing some of the detachment; and 3) issuing an order to ready another contingent.

"Japan is closely in touch with the United States, Britain, and Australia at various levels," Defense Agency Director General Fukushima Nukaga told a news conference on Feb. 28. With this, Nukaga stressed Japan's stance of falling in line with these three countries. That is because "Japan alone cannot ignore the United States to pull out," a senior official of the agency explains. Japan, the United States, and Australia will hold a security dialogue in Sydney on March 18, and Foreign Minister Taro Aso will also attend it. On that occasion, Japan and Australia are expected to ask for US Secretary of Rice's understanding for their troop pullout.

The United States, however, does not want Japan and Australia to pull out. The Bush administration, with an off-year election scheduled for this fall, wants both Japan and Australia to continue their deployment of ground troops as a symbol of their commitment as US allies, according to a government source. When Iraq's permanent government comes into being, the US government will presumably work on the Iraqi government to ask Japan to continue its deployment of GSDF troops in Iraq, the source says.

Meanwhile, Washington has sounded out Tokyo on sending GSDF officers to a provincial reconstruction team (PRT), which is made up of civilians to assist with Iraq's security maintenance and reconstruction. However, the GSDF cannot undertake security maintenance. The Japanese government is therefore poised to reject the proposal. "That's legally difficult," Nukaga said.

The Japanese government wants to obtain the US government's understanding for Japan's troop pullout while offering to expand the scope of the Air Self-Defense Force's airlift missions between Kuwait and Iraq's southern district. In concrete terms, Defense Agency officials mull covering Baghdad in the scope of ASDF airlift services, in addition to Qatar, where the US Central Command locates headquarters for its troops on the front. However, the uniformed staff remains reluctant, with one officer pointing to a high risk of being shot down. A tug of war is also likely to be activated.

In Iraq, Islamic Shiites and Sunnis have been intensifying their conflicts. Such a situation in that country may also affect the GSDF's pullout timetable. The government will decide in March to pull the GSDF troops out of Iraq. But some government officials are raising questions about such a decision-making schedule. "We still can't say this and that about the pullout in the current situation," one government official noted. Another official insists on responding to developments in a flexible way.

SCHIEFFER